REVIEW OF 2005

In 2005[1], for the second year in a row, passenger demand on U.S. airlines remained strong. System revenue passenger miles (RPMs) and enplanements grew 8.0 and 7.1 percent, respectively. Commercial air carrier domestic enplanements rose 6.6 percent and were 4.5 percent higher than pre-9/11 levels. International enplanements grew 12.1 percent and were 22 percent higher than in 2000. The system-wide load factor increased to an all-time high of 77.1 percent. However record oil prices and falling yields resulted in a fifth consecutive year of losses.

Continuing a trend that has been occurring for several years, regional and low-cost carriers[2] grew much faster than their legacy carrier[3] counterparts. In 2005 the domestic market share for these carriers increased 2.2 points to 45 percent, up from a 30 percent share in 2000. Increased competition is prompting legacy carriers to continue to cut costs and prices in markets served by low-cost carriers. This is good news for the flying public but a bitter pill for an industry navigating through tough business times.

As competition increases, the legacy carriers continue to see their finances worsen. After reporting a $6 billion net loss in 2004, legacy carriers reported a $10.3 billion net loss in 2005 and by the end of the year three legacy carriers were operating under Chapter 11 bankruptcy protection[4]. Low-cost and regional carriers are struggling too. Higher fuel prices and fallout from the legacy's financial woes resulted in losses of $2.5 billion for these carriers. Higher fuel prices cost the industry some $9.6 billion last year alone. Cargo carriers, on the other hand, reported net profits of $1.1 billion.

The market for general aviation products and services climbed for the second consecutive year, following a 3-year run of declining shipments and weak billings. General aviation aircraft shipments and billings were stimulated by growth in the U.S. economy as well as by accelerated depreciation allowances for the operators of new aircraft.

For the FAA, the overall shift from large jets to smaller aircraft increases our workload. Regional jets carry less passengers each flight and represent 37 percent of the commercial traffic at the nation's 35 busiest airports. That's up from 30 percent in 2000. Lower ticket prices have resulted in less tax revenues flowing into the Aviation Trust Fund, which pays for most of the FAA's costs to run the system. All of these changes have left the trust fund in a more precarious state. At the end of FY 2005, it is estimated that the balance in the trust fund was $1.9 billion. In 2000, the balance was $7.1 billion.

Through it all, though, the aviation industry remains resilient. It continues to find ways to adopt as the business model changes.

1 All stated year and quarters for U.S. economic and U.S. air carrier traffic and financial data and forecasts are on a fiscal year (FY) basis (October 1 through September 30). All stated years and quarters for international economic and world traffic and financial data are on a calendar year (CY) basis, unless otherwise stated.

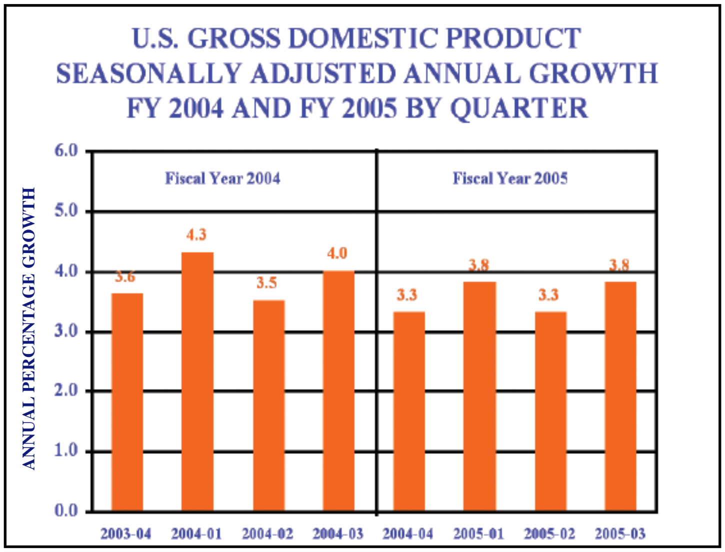
2 American Trans Air, America West Airlines, AirTran Airways, Frontier Airlines, JetBlue Airways, Sun Country Airlines, Southwest Airlines, and Spirit Airlines.

3 Alaska Airlines, American Airlines, Continental Airlines, Delta Air Lines, Northwest Airlines, United Airlines, and US Airways.

4 Delta, Northwest, United.

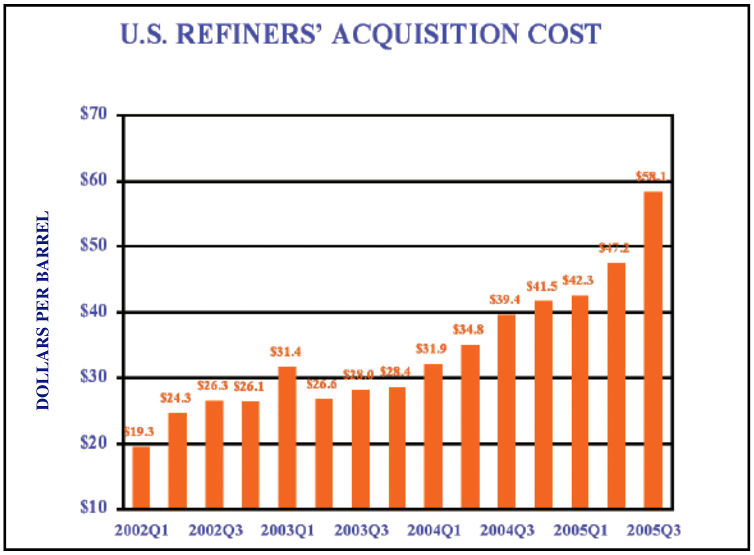
U.S. Economic Activity

The U.S. has kept a strong growth path, with U.S. Gross Domestic Product (GDP) growing by 4.3 and 3.6 percent, respectively, in fiscal years 2004 and 2005. Seasonally adjusted quarterly growth has ranged from a high of 4.3 percent in second quarter fiscal 2004 to a low of 3.3 percent in first and third quarters fiscal 2005.



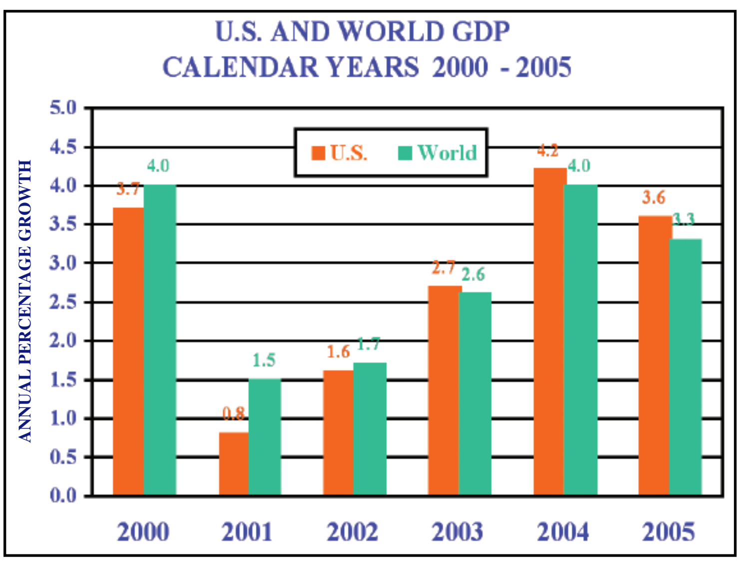
U.S. inflation (as measured by the consumer price index [CPI]) averaged 2.3 percent in fiscal year 2004 and jumped to 3.3 in 2005. During 2005, inflation rose substantially above the long-term average of the past decade of 2.5 percent. The large increases in oil prices played an important role in the rise of overall prices.

Fuel prices, as measured by the U.S. Refiners' Acquisition Cost, rose by 40.5 percent in fiscal year 2005 following a sharp rise the previous year of 20.1 percent. Oil prices rose from an average $41.89 a barrel during the first half of 2005 to $52.65 a barrel in the last half. Higher prices were spurred on by strong global demand for oil and concerns about potential supply disruptions, especially after hurricanes Katrina and Rita.



World Economic Activity

U.S economic prosperity has helped to lead world GDP growth out of the doldrums of 2001 and 2002. U.S. and world economic growth reached 4.2 and 4.0 percent, respectively, in 2004; growth dropped off in 2005 to 3.6 and 3.3 percent. The similarity in growth reflects global trade markets converging as well as the growing dependency of many world economies on trade with the United States. The U.S. makes up nearly a third of world GDP and is twice the size of the world's second largest economy, Japan. It is six times the size of the rapidly growing economy of China.



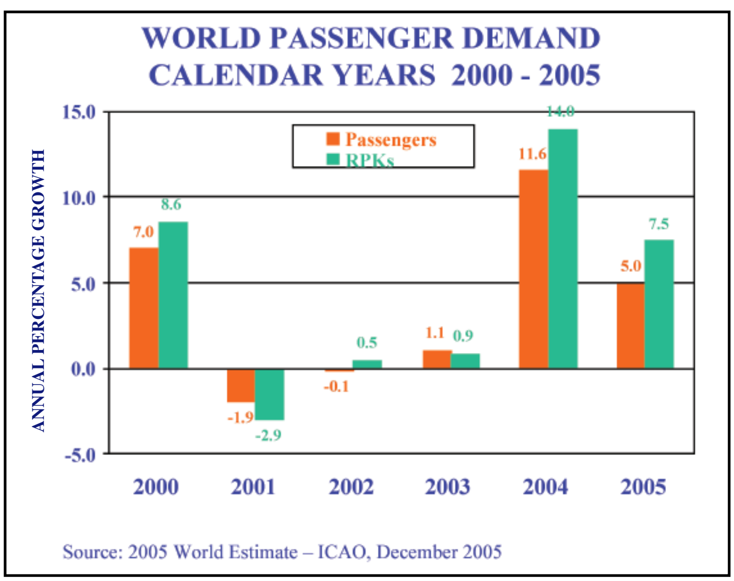
On a calendar year basis, Canadian economic growth substantially lagged behind the U.S. in 2004 and 2005 with growth rates of 2.9 and 2.8 percent, respectively. The combined economies of the Asian and Far East nations grew by 3.8 percent in 2005. This region includes the world's second largest economy, Japan (up 1.8 percent) that grew below average, and the world's most dynamic economy, China (up 9.3 percent) that grew far above average. The combined economies of the Europe/Middle East/Africa nations rose by 2.2 percent in 2005, as the GDP in the vibrant economies of Eastern Europe climbed 5.4 percent offsetting the sluggish growth in Eurozone[5] countries of 1.3 percent. GDP in Latin America and Mexico combined rose by 4.3 percent in 2005, down from the soaring 6.1 percent rise of a year earlier. This region continues its expansion following a strong downturn in 2002.

Commercial Aviation

High jet fuel prices continued to hurt both U.S. and world airlines in 2005. However, the demand for aviation services was only minimally affected as the strong economy offset the impact from higher fares as carriers passed increased fuel costs on to the traveling pubic. The impact to U.S. and world airlines was to the bottom line--namely the lack of profits.

World Travel Demand

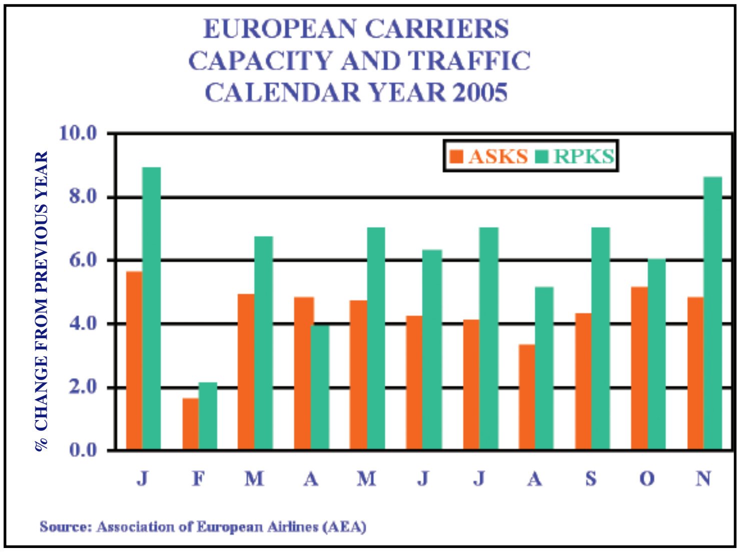
Based on data compiled by the International Civil Aviation Organization (ICAO), world air carriers transported 1.9 billion passengers (up 11.6 percent) a total of 3.4 trillion revenue passenger kilometers (RPKs) (up 14.0 percent) in calendar year 2004. Although worldwide traffic results are not available for full year 2005, signs are the demand for world aviation services continued to grow strongly in 2005. In December 2005, ICAO estimated that worldwide RPKs increased 7.5 percent and passengers increased about 5.0 percent in 2005.[6]



[5] *Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, and Spain.*

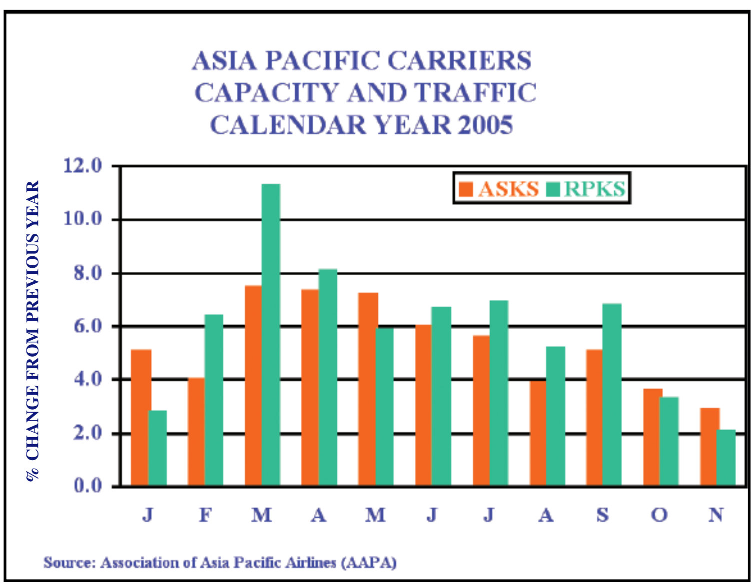
[6] *ICAO News Release, December 15, 2005.*

Statistics from the Association of European Airlines (AEA) show that passengers and RPKs increased 3.0 percent and 5.8 percent, respectively, during the first eleven months of 2005. Capacity, as measured by available seat kilometers (ASKs), was up 3.9 percent. Long-haul markets (Atlantic, Far East, Sub-Saharan Africa) grew at a faster rate than did short-haul markets (Europe, Northern Africa, and Middle East).

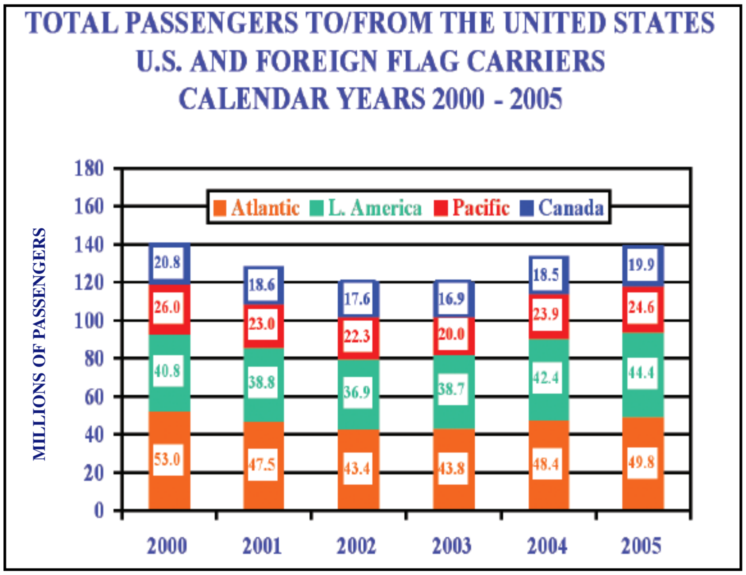


AEA members did not see a pronounced slowdown in growth in the latter part of 2005. During the July to November 2005 time period, passengers were up 3.8 percent and RPKs were up 6.2 percent. In comparison, the growth in passengers and RPKs for the January to June 2005 time period was 2.3 and 5.5 percent, respectively.

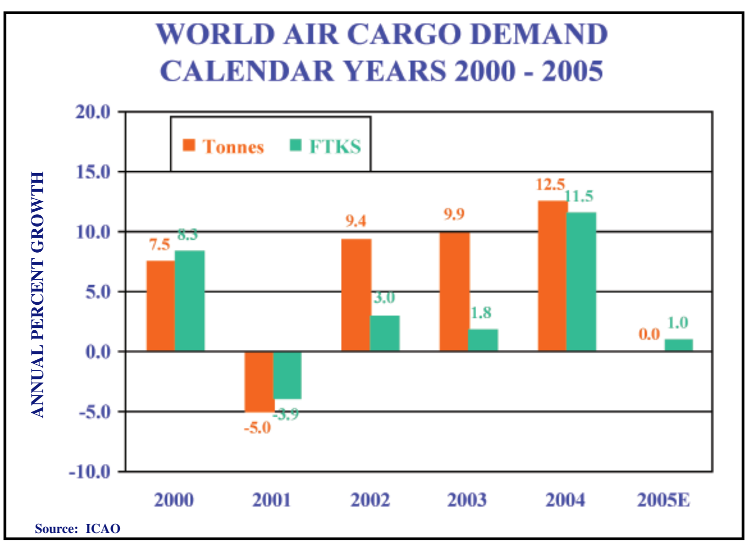
The Association of Asian Pacific Airlines (AAPA) reported increases of 5.4 percent in RPKs and 4.8 percent in ASKs for the first eleven months of 2005. Passengers increased 5.5 percent during the same period.



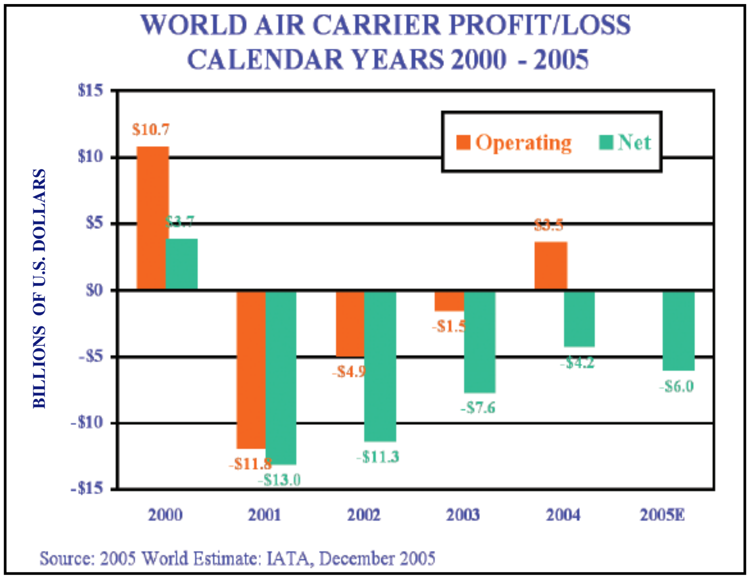
In calendar year 2005, it is estimated that U.S. and foreign flag carriers combined will transport 138.7 million passengers between the United States and the rest of the world, an increase of 3.9 percent over 2004. Growth occurred in all four world travel regions, with Canadian transborder markets growing the fastest, up 7.7 percent, followed by Latin America (up 4.6 percent), Asia/Pacific (up 3.3 percent), and Atlantic markets (up 2.2 percent). Latin America remains the only international travel market to return to pre-9/11 levels by the end of 2005.



Worldwide air cargo demand continued to grow rapidly in 2004 responding positively to stronger global economic activity, with freight tonnes and freight ton kilometers (FTKs) up 12.5 and 11.5 percent, respectively. However, it appears that high fuel prices have taken their toll on air cargo demand in 2005. For the first ten months of 2005, IATA reported that member carrier cargo traffic was up only 2.6 percent. AEA and AAPA statistics show that their member carriers' FTKs were up only 2.2 and 3.2 percent, respectively, during the January to November 2005 time period. ICAO estimated that member cargo carrier traffic increased about 1.0 percent in 2005.[7]



[7] *ICAO News Release, December 15, 2005.*



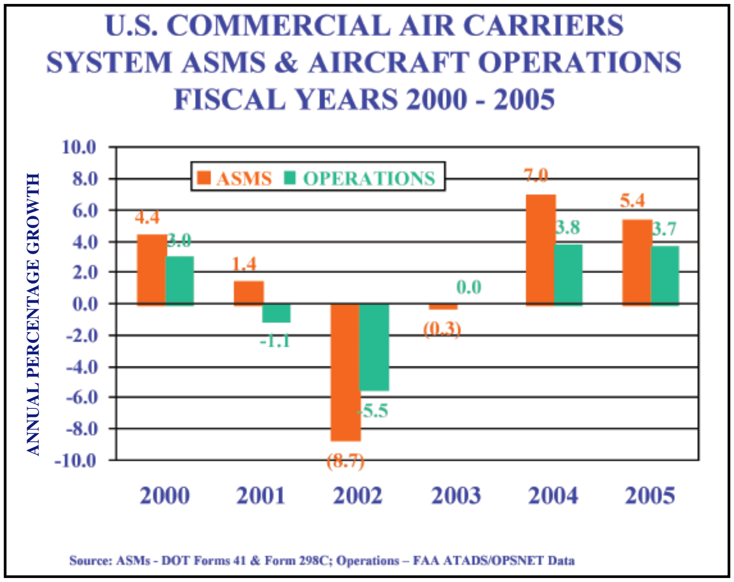
Based on financial data compiled by ICAO, world air carriers (including U.S. airlines) reported an operating profit of $3.5 billion but a net loss of $4.2 billion in 2004. Since 2000, world airlines have incurred cumulative operating losses of $14.7 billion and net losses of $36.1 billion. Air carrier financial results in 2005 were hurt by significantly higher fuel prices. In early December, the International Air Transport Association (IATA) estimated that global airline industry losses would be $6.0 billion in 2005.[8]

U.S. Travel Demand

The U.S. commercial aviation industry consists of 34 mainline air carriers that use large passenger jets (over 90 seats) and 79 regional carriers that use smaller piston, turboprop, and regional jet aircraft (up to 90 seats) to provide connecting passengers to the larger carriers. Mainline and regional carriers provide both domestic and international passenger service between the U.S. and foreign destinations, although regional carrier international service is confined to border markets in Canada, Mexico, and the Caribbean. An additional 25 mainline all-cargo carriers provide domestic and/or international air cargo service.

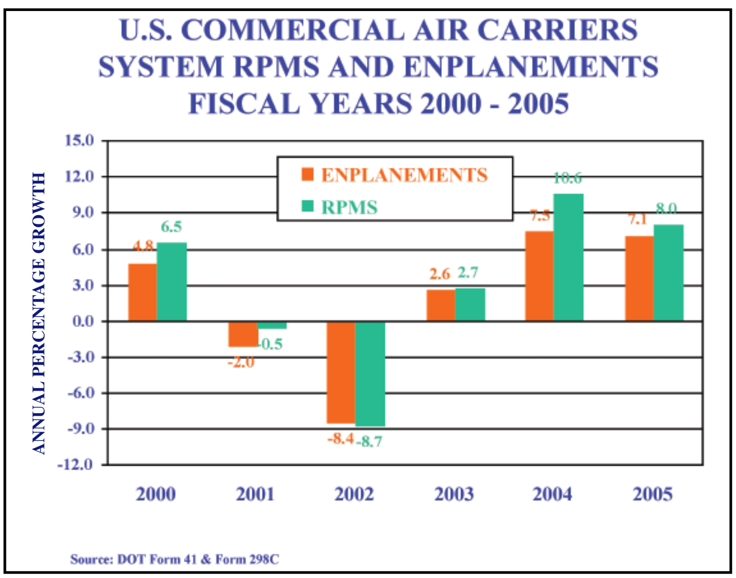
Three distinct trends have emerged since the events of 9/11 that have helped shape today's U.S. commercial air carrier industry: (1) major restructuring and downsizing among the mainline legacy carriers; (2) rapid growth among low-cost carriers, particularly in nontraditional long-distance transcontinental markets; and (3) exceptional growth among regional carriers.

[8] *Air Transport World Daily News, December 15, 2005*



Commercial Air Carriers—Passengers

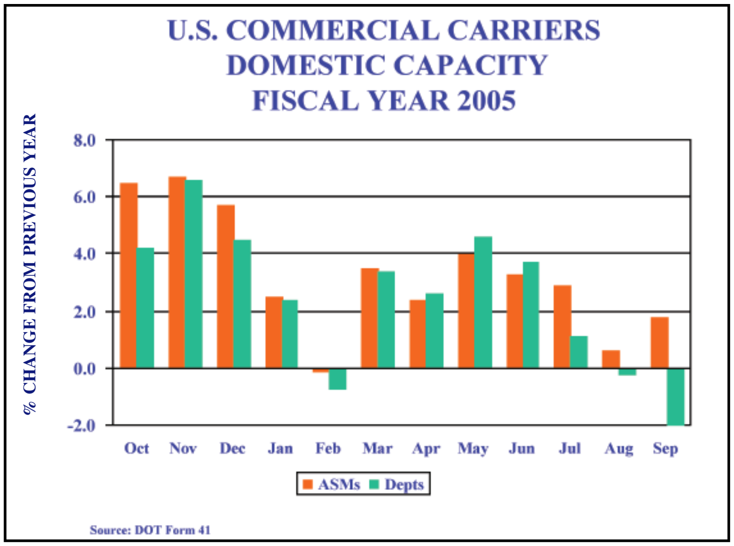
U.S. commercial carrier system capacity and traffic (the sum of domestic and international services) grew strongly for a second consecutive year in 2005. System ASMs were up 5.4 percent while system RPMs and enplanements showed gains of 8.0 and 7.0 percent, respectively.



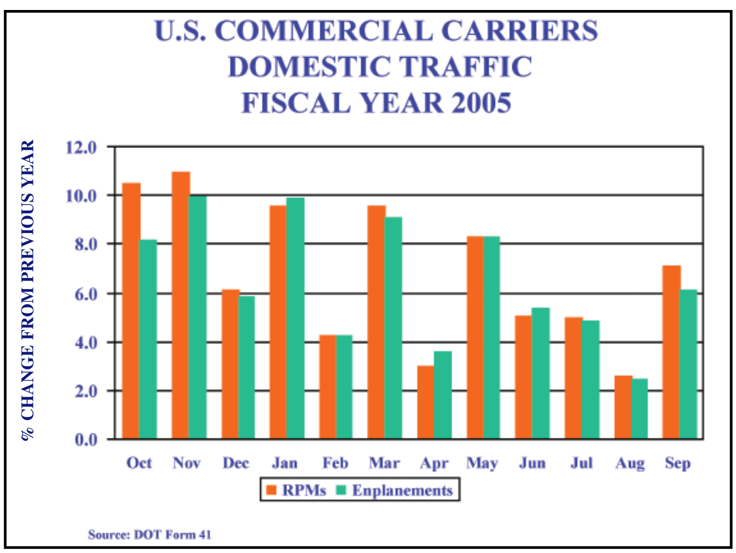
At the end of 2005, commercial air carrier enplanements exceeded pre-September 11th levels by 5.9 percent while RPMs were 11.6 percent higher than in 2000. The system-wide load factor increased 1.9 points to 77.1 percent in 2005, an all-time high.

Domestic Passenger Markets

Domestic capacity (50 states, Puerto Rico, and the U.S. Virgin Islands) was up 3.5 percent in 2005 while the number of departures was up 3.6 percent. ASM growth was higher in the first half of the year, up 4.0 percent, but up 3.0 percent over the latter half of the year. Mainline carrier capacity was up an estimated 1.5 percent while regional carrier capacity was up 20.7 percent. At the end of 2005, domestic ASMs were 4.0 percent above pre-9/11 levels while departures were 1.1 percent below.



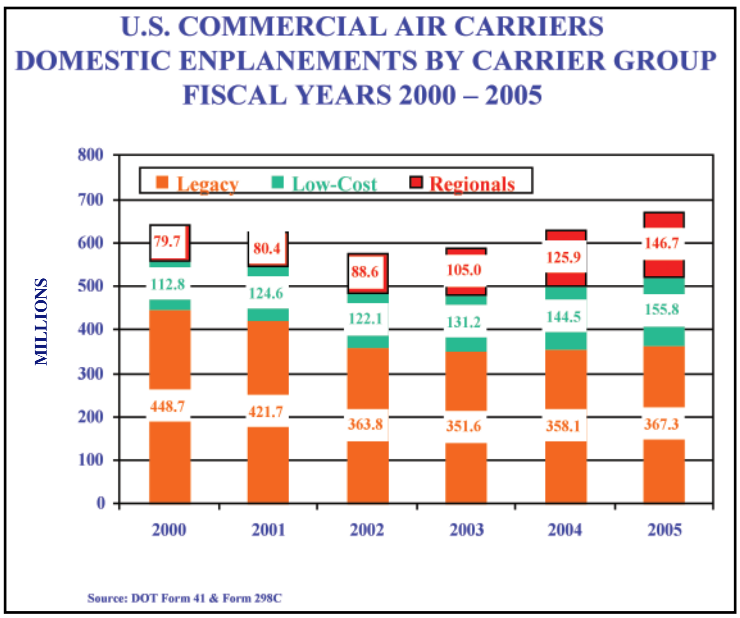
Despite record high oil prices, domestic passenger growth was strong in 2005, as enplanements were up 6.6 percent. All sectors of the industry recorded increases with mainline enplanements up 4.1 percent while regional carrier enplanements were up 16.5 percent. Similar to capacity, gains in the first part of the year were higher than in the latter half of the year. With the gains achieved in 2005, domestic enplanements have now surpassed pre-9/11 levels.



Domestic passenger traffic was also robust in 2005 with domestic RPMs up 6.9 percent. Traffic growth was higher in the first half of the year, up 8.5 percent before slowing significantly to 5.1 percent in the second half. Mainline carrier RPMs were up 5.1 percent while regional carrier RPMs were up an impressive 23.9 percent, the fourth consecutive year with growth more than 20 percent.

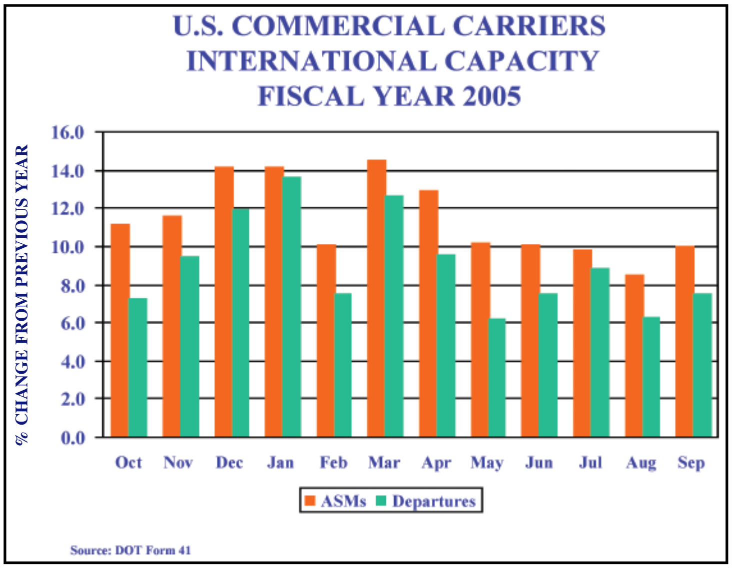
Domestic carrier load factor achieved an all-time high of 76.4 percent in 2005, an increase of 2.4 points over 2004 as both mainline (77.3 percent, up 2.6 points) and regional (69.9 percent, up 1.8 points) carriers achieved all-time highs.

Since 2000, total domestic capacity has increased by 4.0 percent. Legacy carriers have reduced their domestic capacity by 14.9 percent while low-cost carriers have increased capacity by 50.8 percent and regional carriers have increased capacity a whopping 139.3 percent. Owing to the large cuts in capacity, legacy carrier RPMs and enplanements fell 6.7 and 18.5 percent, respectively. During this same time period, low-cost carrier RPMs and enplanements have increased 60.3 and 38.0 percent, respectively, while regional carrier RPMs and enplanements have increased 180.8 and 84.1 percent, respectively. As a result, legacy carriers' share of domestic capacity has fallen from 78.5 percent in 2000 to 64.4 percent in 2005 while their share of RPMs has fallen from 79.5 to 66.0 percent. The combined domestic enplanements of the low-cost carriers and regionals have increased 57.1 percent since 2000, to 302.5 million in 2005. In 2005, their combined passenger count represented 45.3 percent of domestic commercial enplanements, up from 30.0 percent in 2000.

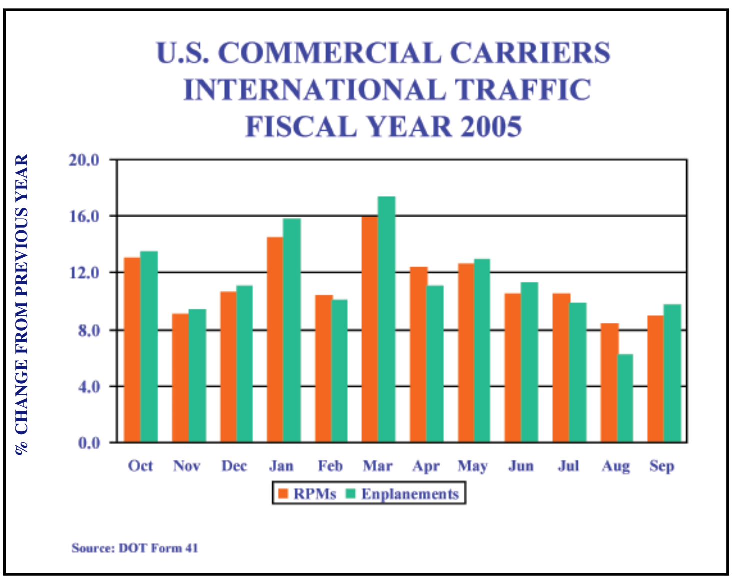


International Passenger Markets

U.S. carriers posted a second consecutive year of strong gains in international capacity and traffic in 2005. U.S. carrier ASMs and departures were up 11.5 and 9.3 percent, respectively, in 2005. Similar to domestic markets, ASM growth was higher in the first half of the year at 12.7 percent, than in the second half of the year, up 10.2 percent. ASMs increased in all world travel regions-up 15.1, 14.2, and 8.0 percent, respectively, in Latin American, Asia/Pacific, and Atlantic markets.



International RPMs and passenger enplanements were up 11.6 and 12.1 percent, respectively, in 2005 with faster growth recorded in the first half of the year. Latin American markets posted the strongest gains, with RPMs up 18.0 percent and enplanements up 16.1 percent, respectively. RPMs and enplanements grew by 10.6 and 8.1 percent, respectively, in Asia/Pacific markets and by 8.7 and 8.5 percent, respectively, in Atlantic markets.



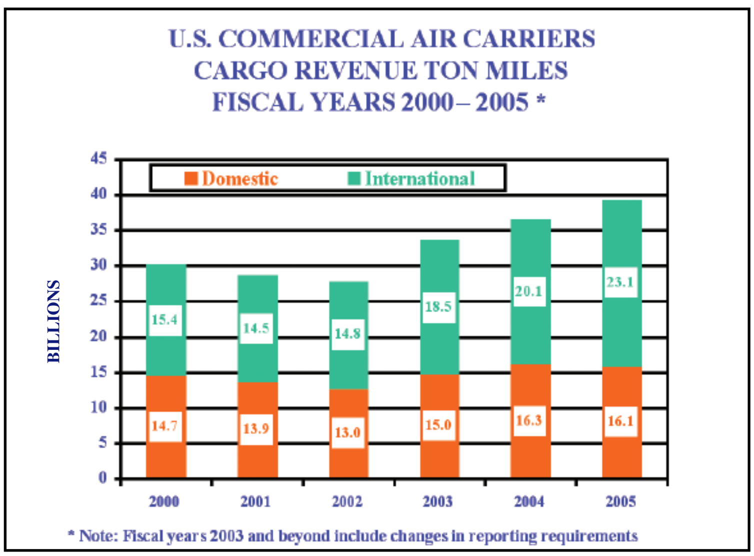
International load factor held steady at 79.3 percent in 2005. Load factor increased in Atlantic markets (up 0.7 points to 82.4 percent) and Latin American markets (up 1.8 points to 72.4 percent) while declining in Asia/Pacific markets (down 2.7 points to 81.5 percent).

With strong growth in 2005, U.S. international ASMs and RPMs moved above levels recorded in 2000. At the end of FY 2005, international ASMs were 4.3 percent higher while international RPMs were 8.9 percent higher than the levels recorded in 2000. However, both departures and enplanements exceeded 2000 levels in 2004. This disparity reflects the stronger growth showed in the shorter trip distance Latin American markets for both capacity and traffic since 2000.

Commercial Air Carriers—Cargo

Air cargo traffic comprises both domestic and international revenue freight/express and mail. The demand for air cargo is a derived demand resulting from economic activity. Cargo is moved in the bellies of passenger aircraft and in dedicated all-cargo aircraft, on both scheduled and nonscheduled service.

U.S. air carriers flew 39.2 billion revenue ton miles (RTMs) in 2005, up 7.5 percent from 2005. Domestic cargo RTMs (16.1 billion) decreased 1.6 percent, while international RTMs (23.1 billion) were up 14.8 percent. The decrease in domestic RTMs reflects a continuation of the modal shift from air to ground shipments and the impact of air fuel surcharges. The increase in international RTMs is attributable to increases in trade (e.g., Asia) and military shipments to the Middle East.

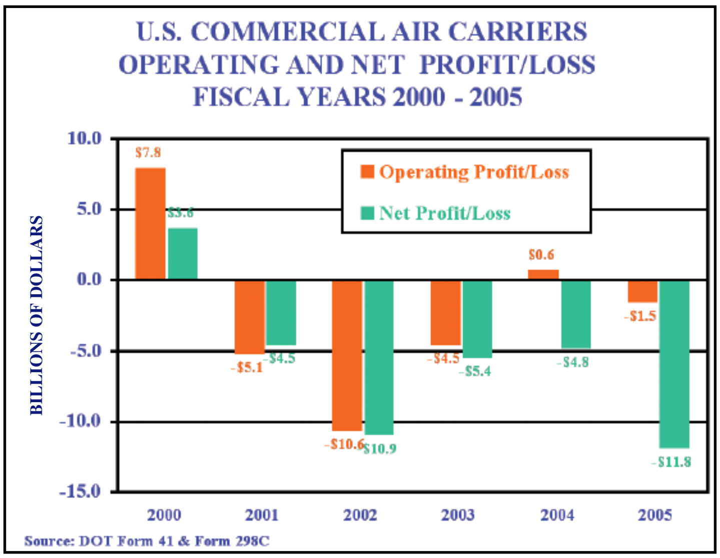


Air cargo RTMs flown by all-cargo carriers were 70.8 percent of total RTMs in 2005: passenger carriers flew the rest, or 29.2 percent of the total. Total RTMs flown by all-cargo carriers increased 7.6 percent in 2005, from 25.8 billion to 27.7 billion. Total RTMs flown by passenger carriers were 11.4 billion in 2005 (up 7.2 percent).

Since 9/11 the FAA and the Transportation Security Administration (TSA) have issued security directives aimed at strengthening security standards for transporting cargo by air. These directives have caused the diversion of a portion of the freight and mail cargo from passenger to all-cargo carriers. In November 2004, TSA issued a notice of proposed rulemaking that applies security requirements throughout the supply chain. This rule, which is expected to become final in 2006, is likely to increase the shift in cargo share from passenger to all-cargo carriers.

U.S. Commercial Air Carriers 2005 Financial Results

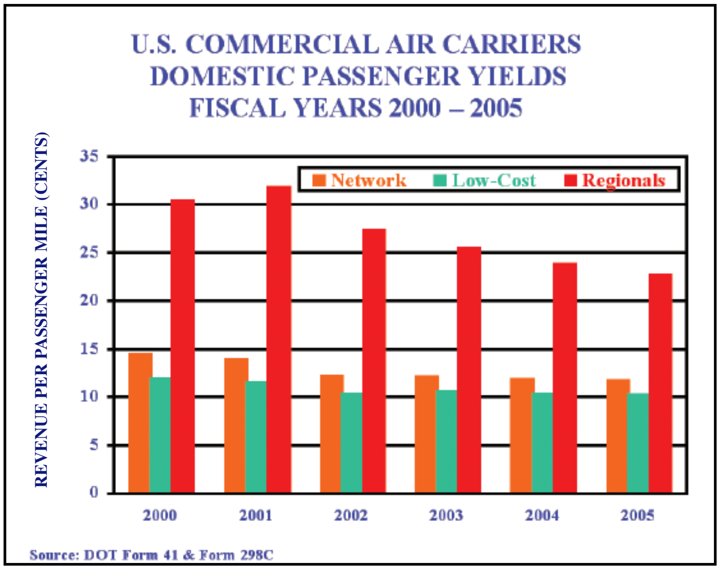
Financial results for the U.S. commercial airline industry (including regional carriers) were largely grim in 2005, reflecting the impact of record high oil prices, although disparities were evident between passenger and cargo carriers, and between domestic and international markets. In fiscal year 2005, U.S. commercial airlines reported an operating loss of $1.5 billion and a net loss of $11.8 billion. Over the last five years, the industry has posted cumulative operating and net losses of more than $21.0 and $37.0 billion, respectively.



Operating revenues (passenger and cargo) were up 9.7 percent in 2005, reflecting strong passenger and cargo demand. Operating expenses were up 11.4 percent in 2005, as the 48.5 percent increase in jet fuel prices (from $1.021 to $1.516) more than offset the tremendous strides made by most mainline carriers in reducing operating costs. Higher jet fuel prices are estimated to have added $9.6 billion to industry operating costs in 2005, effectively wiping out what could have been a reasonably strong year financially.

In 2005, passenger carriers reported operating and net losses of $3.5 and $12.8 billion, respectively, while air cargo carriers, chiefly because of FedEx, reported operating and net profits of $2.0 billion and $1.1 billion, respectively. International operations were largely profitable for both air cargo and passenger carriers in 2005. In international markets, air cargo carriers reported operating and net profits of $1.1 billion and $582.3 million. In the same markets, passenger airlines earned $1.0 billion in operating profit but recorded a net loss of $1.1 billion, mainly because of one-time expenses associated with United's bankruptcy. Domestic markets were profitable for cargo carriers who posted operating and net profits of $829 and $473 million, respectively. However, they were a disaster for passenger carriers who incurred an operating loss of $4.5 billion and a net loss of $11.6 billion in 2005.

Although the overall financial results for passenger carriers were terrible, there were noticeable differences between the carrier groups. The eight low-cost carriers reported combined operating and net losses of $251.5 million and $716.5 million, respectively, in 2005. However, these results were skewed by the results of American Trans Air (operating under Chapter 11 bankruptcy protection), which posted operating and net losses more than $1.0 billion. Excluding American Trans Air's financial results, the low-cost carriers reported operating and net profits of $790.0 and $329.3 million, respectively. Strong competition against the legacy carriers, especially in the intra-east coast markets, has been costly to all carriers' passenger yield. Low-cost carriers' passenger yield declined 0.2 percent in 2005 (compared to a 1.8 percent decline for the network carriers) and is down 13.8 percent since 2000.



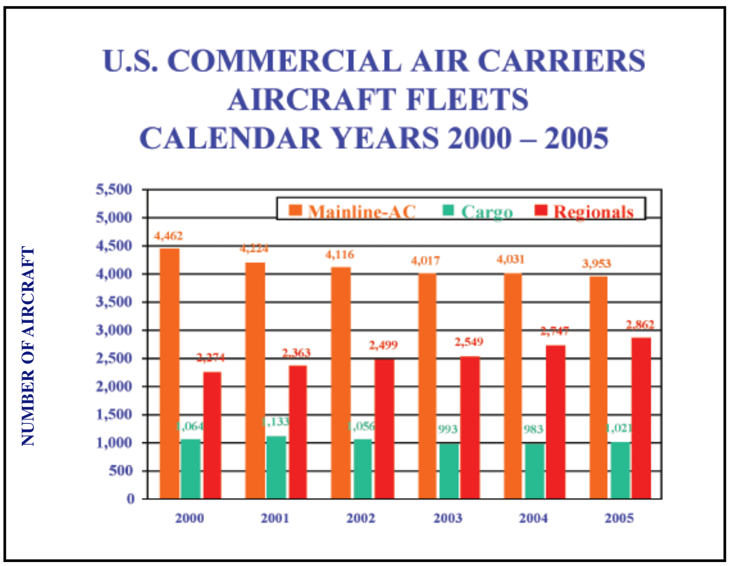
In 2005, regional carriers reported operating profits of $515.8 million, but a net loss of $1.8 billion, attributable to accounting adjustments at Comair and Atlantic Southeast Airlines in connection with Delta's financial difficulties. The future of regional carriers is closely tied to the fortunes of the larger legacy carriers for whom they provide feed at major air carrier airports. Regional carrier passenger yield declined 4.5 percent in 2005 and is down 25.2 percent since 2000. Much of the decline in 2005 reflects the lower fee-per-departure contracts negotiated with their larger partners.

Most of the industry's financial losses are from the seven legacy carriers' domestic operations. These seven carriers accounted for 62.4 percent of domestic capacity and transported 52.9 percent of all domestic passengers in 2005. Since 2000, the domestic operations of the legacy carriers have reported combined operating and net losses of $27.8 and $32.2 billion, respectively. In 2005 alone, the legacy carriers' domestic operations incurred operating and net losses of $4.8 and $9.0 billion, respectively. Three of the carriers are operating under Chapter 11 bankruptcy protection, while a fourth, just came out of Chapter 11 bankruptcy.

U.S. Commercial Air Carriers 2005 Aircraft Fleets

Immediately following the events of 9/11 many of the mainline airlines grounded large numbers of their older, less efficient aircraft and deferred delivery of many of the new aircraft scheduled for delivery over the next several years. The industry's current weakened financial condition has dictated yet another round of restructuring and cost cutting efforts, resulting in additional aircraft being grounded and/or the deferring of additional aircraft deliveries.

The total number of aircraft in the U.S. commercial fleet (including regional carriers) is estimated at 7,836 for 2005, an increase of 75 aircraft from 2004. This includes 3,953 mainline air carrier passenger aircraft (over 90 seats), 1,021 mainline air carrier cargo aircraft, and 2,862 regional carrier aircraft (jets, turboprops, and pistons).

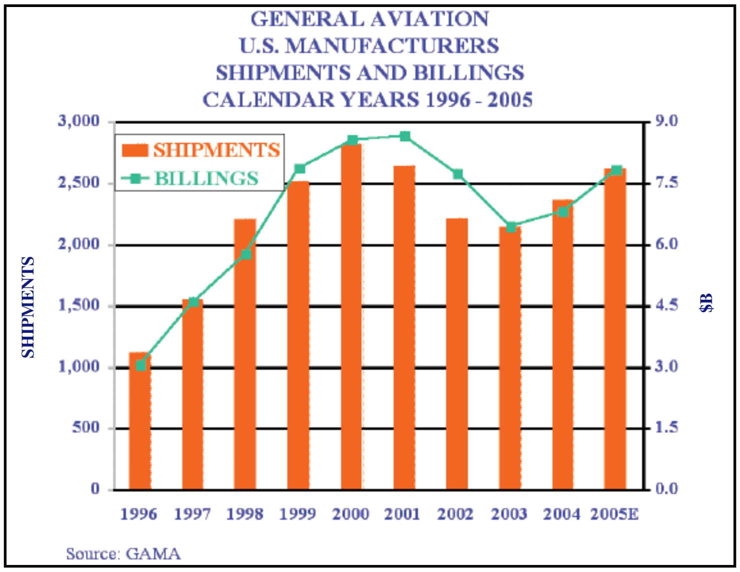


The mainline carriers' passenger jet fleet fell by 78 aircraft in 2005 as cuts at legacy and other non low-cost carriers offset increases in low-cost carrier fleets. The mainline carrier fleet now contains 509 fewer aircraft than in 2000 with the legacy carriers' fleet down by 627 aircraft.

After falling for 3 consecutive years, the mainline carrier cargo fleet increased by 38 in 2005. On the other hand, the regional carrier passenger fleet has increased by 588 aircraft since 2000. During this 5-year period, 1,188 regional jets have come into to the regional carriers' fleet while the number of turbo-props and pistons has declined by 600 aircraft.

General Aviation

Based on preliminary numbers released by the General Aviation Manufacturers Association (GAMA), U.S. manufacturers of general aviation aircraft shipped 2,615 aircraft during calendar year 2005. This represents an increase of 10.0 percent over the same period in 2004, and represents the second consecutive year of impressive gains. All aircraft categories shared in the recovery--jet aircraft, up 15.1 percent; piston aircraft, up 9.5 percent; and turboprops, up 5.3 percent. Billings totaled $7.8 billion (up 14.7 percent) in 2005.

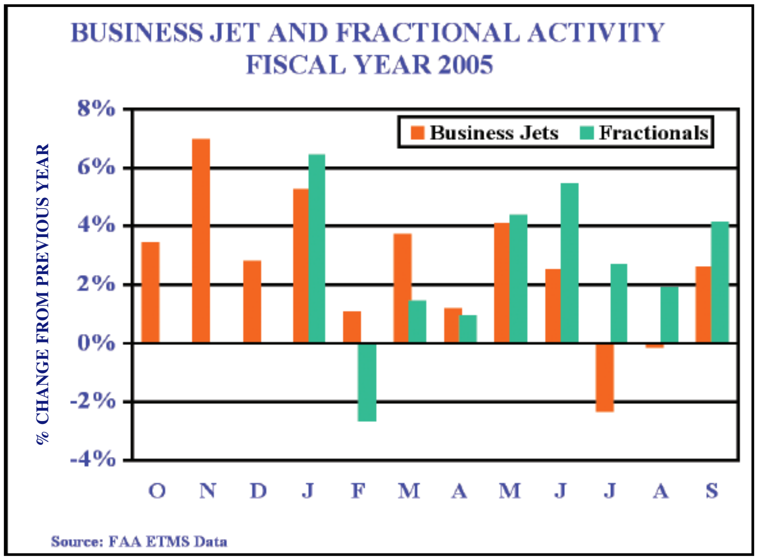


The estimated shipment of 2,050 (4.0 percent increase) single-engine piston aircraft in 2005 provides more evidence the array of new aircraft models has stimulated sales in the low-end of the market. Data from the Aerospace Industries Association of America (AIA) also shows an upturn in general aviation shipments and billings in 2005. AIA predicts that general aviation aircraft shipments will total 2,956 (up 25.7 percent) and that industry billings will total $8.5 billion (up 27.2 percent) in 2005.[9]

General aviation activity at FAA air traffic facilities was mixed in 2005. Operations at combined FAA and contract towers declined 2.5 percent in 2005 with declines in both itinerant and local operations. General aviation instrument activity (IFR) at combined FAA and contract towers also declined in 2005, falling 3.4 percent. The number of general aviation aircraft handled at FAA en route centers remained rather flat, up 0.2 percent.

Statistics from the FAA's Enhanced Traffic Management System (ETMS) database do not yet show an expected turnaround in business flying. For FY 2005 the number of general aviation jet flights were 2.6 percent higher than FY 2004, although growth in the first half of the year was much higher than in the second half (3.8 percent vs 1.3 percent). The FAA ETMS data also show that general aviation flying by fractional aircraft has continued to outpace the industry, with flights up 2.7 percent for the January through September period. The industry is counting on growth in fractional ownership companies and corporate flying to expand the market for jet aircraft.

[9] *2005 Year-end Review and 2005 Forecast-An Analysis, Aerospace Industries Association of America, December 2005.*



Based on the latest FAA assumptions about fleet attrition and aircraft utilization along with GAMA aircraft shipment statistics, the active general aviation fleet is estimated to have increased 1.0 percent in 2005, to 214,591. General aviation flight hours are estimated to have increased 3.8 percent to 28.3 million.

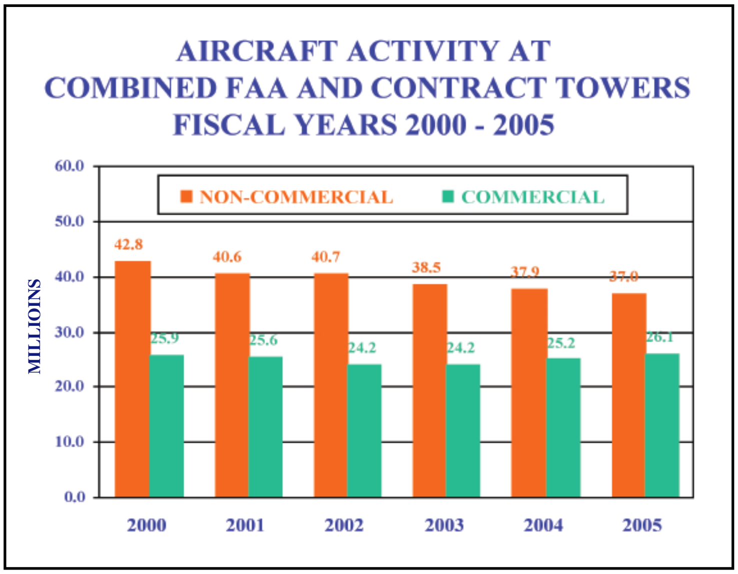
Student pilots are important to general aviation and the aviation industry as a whole. Based on statistics compiled by the FAA's Mike Monroney Aeronautical Center, the number of student pilots decreased by 0.8 percent in 2005. This will end two consecutive years of increases in this important pilot category. The industry has, over the past several years, begun several industry-wide programs designed to attract new pilots to general aviation. By augmenting older programs and developing new ones, the industry is trying to stimulate interest in flying.

FAA Workload

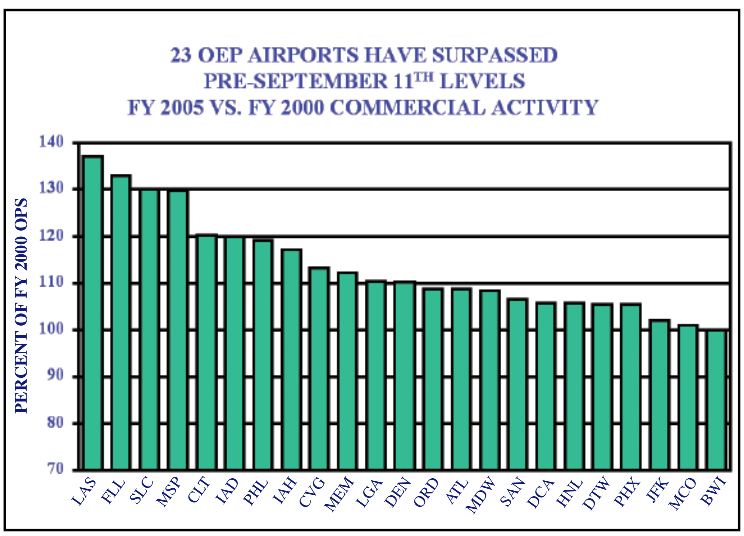
During the late 1990's, the demand for both commercial and general aviation expanded significantly resulting in the delays that plagued many U.S. commercial airports in 2000 and 2001. Passenger demand and activity at FAA air traffic facilities declined significantly following the events of 9/11. However, passenger levels have recovered and the combination of the recovery in passenger demand plus the shift in activity from larger aircraft to smaller regional jets has resulted in increased delays at some U.S. airports during 2005.

Total activity at combined FAA and contract tower airports totaled 63.1 million operations in 2005, down 0.1 percent from 2004 and 8.2 percent below the peak activity level recorded in 2000. Commercial activity (the sum of air carrier and commuter/air taxi) at combined FAA and contract towers increased 3.7 percent in 2005 with gains in both air carrier operations (up 4.6 percent) and commuter/air taxi operations (up 2.7 percent). Although air carrier operations remain 10.7 percent below their peak 2000 activity level, total commercial operations in 2005 exceeded 2000 levels.

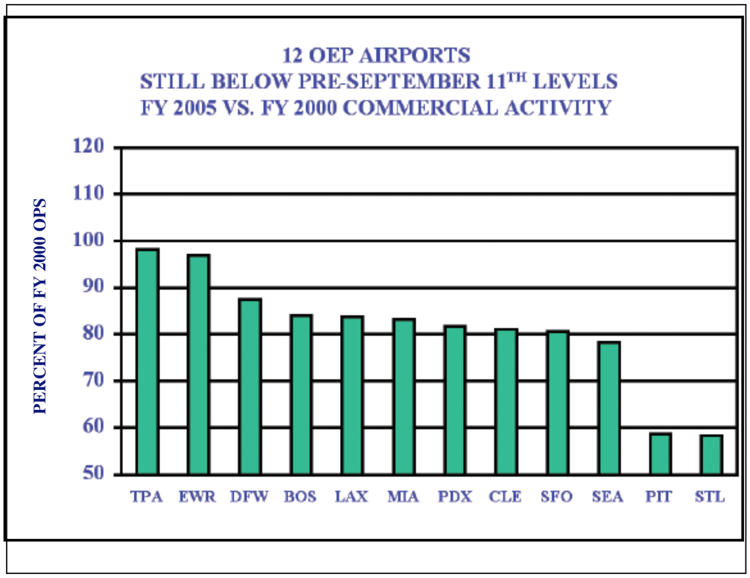
Non-commercial activity (the sum of general aviation and military) at combined FAA and contract towers fell 2.6 percent in 2005, with general aviation activity (34.1 million) down 2.5 percent and military activity (2.9 million) down 4.2 percent. At the end of 2005, non-commercial aircraft activity remains 13.6 percent below the activity in 2000.



The FAA pays close attention to the trends occurring at the 35 Operational Evolution Plan (OEP) airports. These airports are the top 35 airports in the country in terms of passenger activity and account for about 73 percent of commercial passengers. Because of strong growth in fiscal year 2005, combined commercial activity at these airports exceeded pre-9/11 peak activity levels by 1.1 percent. Twenty-three airports now exceed their 2000 peak activity levels while 12 airports remain below 2000 levels.



Reflecting the shift in demand to low-cost and regional carriers, commercial operations at Las Vegas (up 37.0 percent), Ft. Lauderdale (up 32.9 percent), and Salt Lake City (up 30.1 percent), are up the greatest relative to their pre-9/11 activity levels. The financial difficulties of the legacy carriers and bankruptcy have resulted in the largest reductions in commercial operations at St. Louis (down 41.6 percent) and Pittsburgh (down 41.4 percent).



During 2005, total activity at FAA en route centers (47.5 million) was up 2.8 percent. Commercial activity was up 3.7 percent, with air carrier and commuter/air taxi operations up 4.8 and 0.9 percent, respectively. Non-commercial activity was up just 0.3 percent in 2005 with general aviation and military activity recording increases of 0.2 and 0.6 percent, respectively. In 2005, operations for both commercial user groups (air carrier and commuter/air taxi) exceeded their 2000 activity level. The non-commercial user groups remain below their 2000 peak activity levels-general aviation, down 4.3 percent; and military, down 3.3 percent.